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USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR MDELANEY/CLILIENTFELD/AADLER
TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
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IN

SUBJECT: New Delhi Weekly Econ Office Highlights for the Week of
October 16-22, 2009

¶1. Below is a compilation of economic highlights from Embassy New
Delhi for the week of October 16-22, 2009, including the following:

- India to Launch Satellites to Monitor Climate Change
- New Secretaries for Space and Atomic Energy
- India's Outward FDI Declines, while FDI Inflows still Robust
- Disinvestment Moving Forward

India to Launch Satellites to Monitor Climate Change

¶2. Madhavan Nair, Chairman of the Indian Space Research
Organization (ISRO), announced plans on October 18 to launch two
satellites to monitor climate change. The first, a micro-satellite
scheduled for launch in 2010, will study the upper atmosphere. The
second, scheduled for launch in 2011, will be a remote sensing
satellite capable of monitoring emissions of green house gases. Dr.
Kasturi Rangan, the Director of the Indian Institute for Advanced
Studies (a Bangalore-based think tank) told Consulate General
Chennai that data generated from the two satellites would be used to
inform Indian policy makers. Rangan added that many of these policy
makers believe that they have often been misled in the past by
Western scientists who "doctored data" to suit their particular
viewpoints.

New Secretaries for Space and Atomic Energy

¶3. The Department of Space (DoS) and the Department of Atomic
Energy (DAE) will be under new leadership effective the first of
November, according to press reports. Dr. K. Radhakrishnan will be
taking over for Dr. Madhavan Nair as Secretary of DOS and Chairman
of both the Indian Space Research Organization and Antrix.
Radhakrishnan most recently served as Director of the Vikram
Sarabhai Space Centre, and has also headed other ISRO organizations
including National Remote Sensing Agency, Indian National Centre for
Ocean Service, Regional Remote Sensing Service Centers, and ISRO's
Budget and Economic Analysis wing. He holds an Electrical
Engineering degree from Kerala University (1970), a postgraduate
management MBA from the Indian Institute of Management (1976), and a

doctorate from Indian Institute of Technology, Kharagpur (2000). For the DAE, Dr. Srikumar Banerjee is expected to replace Dr. Anil Kakodkar as the new Secretary. Dr. Banerjee is currently Director of the Bhabha Atomic Research Center in Mumbai, having begun his career at BARC as a trainee in 1968. He earned his bachelor and doctoral degrees in engineering from the Indian Institute of Technology, Kharagpur.

Outward FDI Declines but Inflows Still Robust

¶4. After a slow start due to the global financial crisis, foreign direct investment (FDI) is rapidly returning to India as evidenced by the 40 percent increase in FDI in August as compared to the same month last year. For the year, inward FDI is down 25 percent, mainly due to exceptionally high FDI Feb-May of last year. However, since May, inward FDI has increased 34 percent compared to the same period last year. A survey by the UN agency also lists India as the third most attractive country for FDI after China and United States.

¶5. Leading investors were those from Mauritius, Singapore, United States, United Kingdom, and the Netherlands. The top recipients of FDI were the services sector followed by the computer software and hardware, telecom, and real estate.

¶6. The global financial crisis and the resultant slowdown in world GDP growth have adversely affected India's outward foreign direct investment. Actual FDI investment by Indian companies is down 28 percent in the first half of 2009 compared to the same period last year, and recently released Reserve Bank of India's data reveals

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that approvals in U.S. dollar terms fell 18 percent in the second quarter although the actual number of proposals increased by 12 percent.

¶7. Mauritius, Singapore, and the USA were the top three destinations for the Indian investors during the second quarter of ¶2009. The manufacturing sector (telecom, transport equipment, plastic, rubber products, vehicles, drugs, mining and textiles) accounted for 47 percent of the investment proposals, followed by non-financial services at 13 percent, trading (electrical equipments, wood and wooden products and software packages) at four percent and others (civil construction projects, shipping, industrial tools, chemical products and mining) at 22 percent.

Disinvestment Moving Forward

¶8. On October 19th, the Cabinet Committee on Economic Affairs (CCEA) approved the selling of up to five percent equity in National Thermal Power Corporation Limited (NTPC), India's largest power producer, and ten percent (through initial public offer) in Satluj Jal Vidyut Nigam, an unlisted power producer. According to local media reports, Commerce and Industry Minister Anand Sharma commented that the government expects to raise \$2.2 billion from the sale of these two public sector units. Comment: The government is likely looking specifically at divestment in the public power sector since sector valuations are amongst the highest and, therefore, would raise the most revenue. End Comment.

¶9. Prime Minister Manmohan Singh gave further momentum to disinvestment when he remarked at an awards ceremony for public sector enterprises that the government is encouraging the listing of public sector enterprises as this unlocks the true value of a company, improves its corporate governance standards, and also helps it in raising resources for future expansion plans. Media reports that the government plans to allow one central public sector unit to tap the market every month during its regime. The opportunities appear significant as only 44 of the 214 operational public sector units are currently listed.

¶10. Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>.

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